

Kenya Shilling Performance

KES	Value	% Daily Change	YTD Change
US Dollar	107.0076	(0%)	(5.6%)
STG Pound	130.3782	0.32%	1.9%
EURO	116.7238	0.70%	(3.0%)

Source: CBK; Negative () = Depreciation, Positive = Appreciation

Market Summary

Index	Value	Daily Change %	YTD Change %
NASI	138.94	(1.0%)	(16.5%)
NSE 20	2,009.60	(0.3%)	(24.3%)
NSE 25	3,244.67	(1.1%)	(20.9%)

	Today	Previous	Daily Change %
Market Capitalization (KES Bn)	2,123.61	2,145.80	(1.0%)
Number of Shares Traded (Q)	18,125,200	22,477,500	19.4%
Equity Turnover (KES)	588,338,111	635,164,276	(7.4)%
Foreign Buys (%)	48.1%	44.6%	
Foreign Sells (%)	88.6%	79.1%	
Foreign Participation (%)	68.3%	61.8%	

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Daily Change %	YTD Change	Volume Traded
Kenya Airways	3.46	9.8%	68.8%	428,300
NSE	0.96	9.1%	(61.1%)	80,200
Trans-Century	2.17	8.5%	8.0%	2,100
NBV	6.92	4.8%	(26.5%)	11,100
Liberty Kenya	0.46	4.5%	(23.3%)	71,900

Top Losers	Price (KES)	Daily Change %	YTD Change	Volume Traded
Unga Group	27.00	(10.0%)	(20.6%)	200
Equity Group	34.20	(5.4%)	(36.1%)	3,632,900
Trans-Century	1.63	(3.6%)	(34.8%)	22,900
Uchumi	0.30	(3.2%)	3.45%	33,500
TPS Eastern Africa	12.50	(3.1%)	(28.8%)	1,500

Movers	Turnover (KES)	Volume (KES)	Price (KES)
Safaricom	194,372,500	6,702,500	29.00
KCB Group	154,336,325	4,317,100	35.75
Equity Group	124,245,180	3,632,900	34.20
EABL	76,048,600	461,600	164.75
Stanbic	15,253,200	178,400	85.50

Source: NSE

Market Commentary

The All Share Index eased by 1.0% from the previous trading session to close the day at 138.94. Notable losers included Equity Group and Safaricom. Equity was among the top losers of the day (-5.4%) after withdrawing its KES 2.50 per share dividend payout to its shareholders for FY2019. Safaricom retreated on the back of profit taking activities.

We might see more activity this week (supporting share prices) following the president's speech which hinted at a possible relaxation of some measures meant to curb the spread but which have had a negative impact on livelihoods. However, we urge caution on such optimism. See our recommendations below for counters that are safe bets regardless of the outcome.

Recommendations

Counter	Recommendation	Price (KES)	Daily Change %	YTD change
KCB Group	Long-term Buy	35.75	(1.5%)	(33.8%)
Equity Group Holdings	Long-term Buy	34.20	(5.4%)	(36.1%)
Absa Kenya	Long-term Buy	10.50	1.45%	(21.3%)
Stanbic Holdings	Long-term Buy	85.50	(0.3%)	(21.7%)
Standard Chartered	Sell	170.75	(1.4%)	(15.7%)
Safaricom	Hold	29.00	(1.2%)	(7.9%)
Bamburi	Sell	45.00	0.0%	(43.8%)

For more detailed information on the following recommendations, please click [here](#):

Bonds Performance

	Today	Previous	Daily Change %
Total Deals	102	82	24.4%
Bond Turnover	2,483,924,756	2,547,855,431	(2.5)%

Actively Traded Bonds

GOK Bonds	Fixed Rate %	Traded Yield %	Value Traded (Mn)	DTM
FXD1/2019/5	11.3040	11.2750	200.0	1,364
FXD1/2018/25	13.4000	13.5000	505.0	8399
IFB1/2018/20	11.9500	12.5750	374.5	6,726

Source: NSE; DTM = Days to Maturity

News Highlights

DTB Reports a 3.7% y/y Growth in After Tax Profits for 1Q2020

- Diamond Trust Bank (DTB) posted a 3.7% y/y growth in after tax profits to KES 2.0 billion (1Q2019: KES 1.9 billion). The increase in profitability was primarily due to a 3.0% y/y growth in operating income to KES 6.3 billion.
- Total interest income decreased by 2.4% y/y to KES 8.0 billion predominantly due to a 1.8% y/y dip in income from loans and advances to KES 4.8 billion. This was despite the group's loan book growing by 6.7% y/y to KES 201.3 billion. The decline could be attributed to the decline in yield on loans to 9.6% from 10.3% in 1Q2019.
- Interest income from government securities fell slightly by 1.2% y/y to KES 3.1 billion even as the group's holding of government securities edged up by 1.9% y/y to KES 128.2 billion. The decline could also be attributed to a decline in yields to 9.5% (1Q2019:10.3%).
- Total interest expenses fell by 9.0% y/y to KES 3.3 billion owing to a 7.89% y/y drop in customer deposit expenses to KES 2.8 billion -as customer deposits dipped marginally by 0.9% y/y to KES 272.8 billion. The cost of funds declined to 4.3% from 4.7% in 1Q2019.
- Consequently, net interest income edged up by 2.9% y/y to KES 4.7 billion resulting in a NIM of 5.5% (1Q2019: 5.6%).

- Non-funded income increased by 3.4% y/y to KES 1.6 billion due to a 39.3% y/y rise in fees and commissions on loans and advances to KES 380.2 million. The contribution of non-funded income to total operating income grew marginally to 25.4% from 25.3% in 1Q2019.
- Operating expenses (excluding provisions) decreased by 5.2% y/y to KES 3.3 billion. The cost-to-income ratio (excluding provisions) declined by 100 bps to 46.4%.
- Loan loss provisions surged by 52.0% y/y to KES 408.1 million (1Q2019: KES 268.4 million) as gross non-performing loans increased by 15.7% y/y to KES 16.6 billion. The NPL ratio (net non-performing loans/net loan book) grew to 4.8% (1Q2019: 3.8%).

Commentary

- The decline in deposits may be due to efforts by the bank to lower its cost of deposits. The bank has been growing its retail deposits (current and savings accounts) which has translated to lower cost of deposits (from 4.3% in 1Q2019 to 4.0% in the 1Q2020). We also note that the bank's liquidity position is relatively high so it may not need to chase deposits aggressively. However, a more sustained decline in deposits may be a cause for concern.
 - We are optimistic about the growth in non-funded income and the continued efforts to contain in costs. Its non-interest contribution is still below its peers (we also believe the growth in the ratio is partly due slower growth in interest income) and the bank needs to get more customers on alternative channels to grow it further. As at the end of 2018, its proportion of volume of transactions done outside the branch stood at 52.0% (Equity and KCB are over 90.0%). The current environment presents a good opportunity to shift customers to these alternatives with even more value propositions (probably even lend on its own platform rather than relying on other platforms).
 - From historical trends, the bank tends to be cautious when faced with a challenging business environment (e.g. the Interest rate capping). We expect more caution in lending and a shift to government securities.
-



E-mail:

research@fib.co.ke

Recommendations Guide

LONG-TERM BUY: The Company has strong fundamentals. However, there are certain investments or strategies that would require an investor to have a long-term view of the company to allow for capital appreciation. Also, the company may be facing headwinds which we view as short term

BUY: Strong fundamentals. Minimal risks to the catalysts/growth drivers

NEUTRAL: This is where the positives and negatives in a company almost balance out. You can accumulate for the long term.

SELL: Deteriorating fundamentals. Risks outweigh the catalyst/growth driver

HEAD OFFICE:

Crawford Business Park,
Ground Floor,
State House Road
Tel: 0207606026-37
P.O Box 45236-00100
Nairobi